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Company Law

On December 11, 2008 Seimas adopted a new “*Law on Stock Corporations*”. The Law’s new provisions entered into force on January 1, 2009. The Law was adopted so as to eliminate contradictions between the prior Law on Stock Corporations and the Lithuanian Civil Code.

The Law on Stock Corporations establishes several new legal features in comparison with the previous law. The law provides for a maximum number of shareholders in a closed Stock Corporation. The Law also provides new regulations regarding access to a company’s corporate information. The corporate documents used in a company’s relations with third persons, including the company’s web site, must contain the information indicated in Article 2.44 of the Lithuanian Civil Code.

The Law eliminates the prior requirement that a closed company must have at least one collegial supervising organ. Both public and private companies now have the right to acquire ordinary shares under provisions of the said Law. The Law sets a term of 30 days to appeal resolutions approved by a company’s managing bodies.

The State Gazette, “Valstybės žinios”, 2008. No. 124

On January 27, 2008 the Seimas adopted by the “*Law on Public Institutions*”. The Law regulates the establishment, management, activities, reorganization and liquidation of a “Public Institution”. A Public Institution is defined as a non-profit limited civil liability legal person established with the purpose of satisfying the public interest, while performing activities beneficial to society.

The State Gazette, “Valstybės žinios”, 2008. No. 25

On January 22, 2008 a new edition (version) of the “*Law on Associations*” was adopted. The Law entered into force on February 14, 2009. With this new edition of the “Law on Associations” the previous “*Law on Public Organizations*” lost its force and these two previously separate legal forms merged into one form of juridical person. Both “associations” and “organizations” are now regulated by the new version of the Law on Associations.

The State Gazette, “Valstybės žinios”, 2008. No. 25

On April 29, 2008 the Seimas of the Republic of Lithuania adopted the “*Law on European Companies*”. The Law fully came into force on October 8, 2008. The Law regulates the establishment, the registered office, management, and reorganization of juridical persons

holding the legal status of a “European Company”. The Law implements “*European Union Council Regulation No. 2157/2001 on the Statute for European Companies*”.

The State Gazette, “Valstybės žinios”, 2008. No. 78

On June 1, 2008 the Seimas adopted the “*Law on Social Companies*”. The Law entered into force on June 19, 2009. The Law sets the requirements for public and private persons registered in the Republic of Lithuania in order to obtain the status of “Social Company”. The Law sets forth the requirement that a Social Company must employ specific categories of people who have lost their professional or general working capacity.

The State Gazette, “Valstybės žinios”, 2008. No. 96

Commercial transactions

On December 9, 2008 the Seimas adopted the “*Law on Prevention for Delayed Payments under Commercial Transactions*”, which came into force on May 1, 2009. The law regulates the default interest rate for late payments in commercial transactions for goods delivered, services rendered, and works performed. The Law also establishes creditor rights in case of late payments.

The State Gazette, “Valstybės žinios”, 2008. No. 123

Competition Law

On April 15, 2008 the Seimas adopted amendments to the “*Law on Competition*” in regard to harmonization of national legislation with the requirements of the EU. *Inter alia*, the law abolishes the provisions regulating individual exemptions for anti-competitive commercial agreements.

The State Gazette, “Valstybės žinios”, 2008. No. 63

On December 6, 2008 the Government of Lithuania adopted “*Regulations on the Size of Fines Imposed for Violation of the Law on Competition*”. The Regulations specify and determine the procedure for imposition and the size of fines to be levied for violation of the rules. The law also regulates prohibited agreements, abuse of a dominant market position, unfair competition, and other activities prohibited by the Law on Competition.

The State Gazette, “Valstybės žinios”, 2008. No. 177

Finance and Banking Law

On March 30, 2008 the Seimas adopted the “*Law on Banks*”, which came into force on May 1, 2008.

The Law regulates the procedure for establishment, operation, restructuring, dissolution, licensing and supervision by the State authorities of banks operating in the territory of the Republic of Lithuania.

The Law also applies to the branches of foreign banks operating in the Republic of Lithuania. The Law distinguishes between two types of banks: commercial and specialized.

A specialized bank, as defined by the Law, is a credit institution which is entitled to provide only some, but not all, financial services to natural or legal persons or may provide certain financial services only to one exclusive group of persons.

The Law also provides a list of licensed financial services, which may be provided by commercial and specialized banks which operate in the territory of the Republic of Lithuania. *Inter alia*, the Law sets the limits of competence of a bank's managers and organs; determines requirements for taking various employment positions in a bank and specifies the liability that is borne by a bank's executives and management.

The State Gazette, "Valstybės žinios", 2008. No. 54

On July 22, 2008 the Board of the Bank of the Republic of Lithuania by resolution approved the "*Rules for Consolidation and Joint Supervision of a Financial Group's accounts*".

The State Gazette, "Valstybės žinios", 2008. No. 139

On September 23, 2008 the Board of the Bank of the Republic of Lithuania approved "*Regulations for the Inspection of Banks and Credit Unions*".

The State Gazette, "Valstybės žinios", 2008. No. 145

Environmental Law

On November 4, 2008 the Seimas adopted the "*Law on Management of Environmental Noise*". The Law entered into force on December 31, 2008. The Law regulates the grounds for noise prevention and details the rights and obligations of natural and legal persons responsible for management, reduction, supervision and monitoring of noise. The Law on Management of Environmental Noise was adopted in order to meet the requirements and implement certain EU legal acts (law) in the area concerned.

The State Gazette, "Valstybės žinios", 2008. No. 164

Intellectual property

On February 19, 2008 the Seimas adopted substantial amendments to the "*Law on Trade Marks*" due to Lithuania's accession to the EU. The new amendments and implement the provisions of EU legal acts regulating Intellectual property.

The new provisions provide that after Lithuania's date of accession to EU, trademarks registered in one of the member States are protected in all of 25 the member States, including Lithuania.

Since May 1, 2008 residents and companies of EU may under the simplified procedure set by the Law apply to the State Patent Bureau directly or through their authorized representatives.

The State Gazette, "Valstybės žinios", 2008. No. 39

On December 6, 2008 Lithuania's Government adopted a Resolution nominating the State Patent Bureau as the authorized institution responsible for implementation of the Convention on the Grant of Patents and other relevant EU legal acts. The resolutions entered into force on December 30, 2009.

The State Gazette, "Valstybės žinios", 2008. No. 177

Insurance Law

On September 29, 2008 the Seimas adopted a new "*Law on Insurance*". The Law came into force on January 1, 2009. The Law was harmonized in order to meet the provisions of EU legal acts. The Law sets forth rules for EU insurance companies' and brokers' activities in Lithuania; licensing and supervision by State authorities; establishment of branches of foreign insurance companies and dispute resolution methods.

The State Gazette, "Valstybės žinios", 2008. No. 94

On September 28, 2008 the Insurance Supervisory Commission of the Republic of Lithuania adopted a "*Resolution on Regulations for Inspection of Credit Unions*".

The State Gazette, "Valstybės žinios", 2008. No. 146

Immigration Law

On April 29, 2008 the Seimas adopted the new edition of the "*Law on Legal Status of Foreigners*". The new Law was adopted in order to harmonize and implement EU law in the area of free movement of persons; migration; issuance of permanent and temporary permits, and visas and applications for asylum. The Law also specifies the conditions and procedures on issuance of an EU residence permit.

The State Gazette, "Valstybės žinios", 2008. No. 73

On July 16, 2008 the Minister of Social Security and Labor adopted the "*Order with respect to Description of Conditions and Procedure for Issuance of Work Permits in Lithuania*".

The State Gazette, "Valstybės žinios", 2008. No. 113

Labor Law

On February 19, 2008 the Seimas adopted the "*Law on European Labor Councils*", which came into force from the date of Lithuania's accession to the EU. The Law is designed to ensure the protection of the rights, representation and access to information by employees of EC companies.

The State Gazette, "Valstybės žinios", 2008. No. 39

On March 24, 2008 the Lithuanian Government adopted the "*Resolution on the Increase of the Minimum Wage*". The Law came into force on May 1, 2004. The Resolution has sets the minimum hourly rate at 2.95 Litas and the minimal monthly wages in the amount of 500 Litas for employees working in private companies, establishments and organizations.

The State Gazette, “Valstybės žinios”, 2008. No. 46

On October 26, 2008 the Seimas adopted the “*Law on Labor Councils*”, which came into force on November 11, 2009. The purpose of the Law is to protect the rights of employees working in private and public companies, establishments, organizations or institutions. The Law regulates the establishment of Labor Councils in such companies and organizations. It should be noted that the Law provides that a Labor Council may be established only as an alternative legal body to Trade Unions and only in case there is no active Trade Union in a company or organization.

The State Gazette, “Valstybės žinios”, 2008. No. 164

On November 29, 2008 the Lithuanian Government by Resolution approved the “*List of Conditions in Relation to the Procedure for Institution and Duration of Part-Time Work*”.

The State Gazette, “Valstybės žinios”, 2008. No. 173

Land Law

The Seimas adopted a new “*Law on Land*” on January 27, 2008. The Law sets a maximum term of 25 years for a contract for the lease of State-owned land; the Law also regulates in detail the establishment and registration of servitudes and compensation issues in relation to losses arising from the establishment of a servitude.

The State Gazette, “Valstybės žinios”, 2008. No. 28

On July 15, 2009 the Seimas adopted a new “*Law on Purchase of the Land for Agricultural Purposes*”. The Law came into force on August 7, 2009. The Law abolishes the essential requirement for national legal and natural persons to engage into agricultural activities in order to gain the right to purchase agricultural land.

The State Gazette, “Valstybės žinios”, 2008. No. 124

Social Insurance Law

On March 30, 2008 the Government of Lithuania by Resolution approved the “*Regulations of Social Insurance Indemnities for Accidents at Work and Occupational Diseases*”.

The State Gazette, “Valstybės žinios”, 2008. No. 49

On November 4, 2008 the Seimas adopted a new “*Law on State Social Insurance*”. The Law establishes several new features that determine the types of income from which no deductions from social insurance income may be made. The Law provides for a new structure for the management and administration of the State Social Insurance System.

The law also regulates procedures and rules for access and delivery of information from the database of State Social Insurance Fund Board’s authorized institutions for an insured person or beneficiaries of social insurance indemnities.

The State Gazette, “Valstybės žinios”, 2008. No. 171

Tax Law

On January 29, 2008 the Seimas adopted the “*Law on Excise Duty*”. The Law came into force on May 1, 2009 (on the date of Lithuania’s accession to EU). The Law provides for a list of goods which are the object of an excise duty and regulates imposition of an excise duty by the competent State authorities. Excise duties are imposed on these following goods:

- 1) Ethyl alcohol and alcoholic drinks;
- 2) Processed tobacco;
- 3) Energy products;
- 4) Electrical energy.

The State Gazette, “Valstybės žinios”, 2008. No. 25

On January 15, 2008 the Seimas adopted amendments to the “*Law on Value Added Tax*”, which came into force on the date of Lithuania’s accession to EU, May 1, 2008. The amendments to the previous version of the Law were made in accordance with the harmonization process of Lithuanian VAT legislation with EU legislation.

The State Gazette, “Valstybės žinios”, 2008. No. 17

On April 13, 2008 the Seimas adopted a new version of the “*Law on Tax Administration*”, which entered into force on May 1, 2008. The substantial amendments to the previous edition of the Law on Tax Administration were adopted due to Lithuania’s accession to the EU.

The Law regulates customs duties as well. The Law sets a principle that discrepancies and ambiguities between Tax Law provisions should be interpreted in favor of a taxpayer. The Law provides that tax administrator should cooperate with and not to disturb the taxpayer while performing an audit or other duties under the Law; as well regulates and specifies the necessity of presentation of compulsory notification in regard to a planned audit of a taxpayer.

One of the important new provisions of the Law is the possibility that a taxpayer may enter into a settlement agreement with the tax administrator when the amount of imposed tax payable may not be calculated in the usual manner due to the loss of documents or other circumstances.

The State Gazette, “Valstybės žinios”, 2008. No. 63

Accounting

On February 17, 2008, the Minister of Finance adopted the order regarding the “*Approval of accounting rules for the residents engaged in individual activities (except for the residents who have obtained business certificates)*”. The order lays down simplified accounting rules for residents engaged in individual entrepreneurial activities.

The State Gazette, “Valstybės žinios”, 2008. Issue No. 18.

On January 31, 2008, the Minister of Finance adopted the “*Order regarding the methodology for accounting for derivative financial instruments*”.

The State Gazette, “Valstybės žinios”, 2008. No. 14

On January 30, 2008 the Lithuanian State Securities Commission adopted a resolution entitled: “*Monetary Market Tools Recognised by the Securities Commission*”. The resolution recognises the following as market tools:

1. Deposits in banks to be returned upon demand or upon maturity of the contractual term not exceeding two years;
2. Financial tools (e.g. certificates of bank deposits, commercial notes, bank acceptances, State or municipal notes).

The State Gazette, “Valstybės žinios“, 2008. Issue No. 13.

Administrative Law

On March 13, 2008, the Lithuanian Parliament, the “Seimas”, supplemented “*The Code of Administrative Offences*” with Article 207-6. The supplement establishes the responsibility for violation of the procedure of collection of signatures established by the “*Law on Referenda*”. The fine for this violation is set in an amount between five hundred and one thousand Lithuanian Litas.

The State Gazette, “Valstybės žinios”, 2008. Issue No. 28.

An amendment to Article 172-25 of “*The Code of Administrative Offences*” was adopted on March 20, 2008, by the Lithuanian Parliament, the “Seimas”. The amendment alters the concept of illegal lobbying activities. Illegal lobbying activities are understood as any lobbying activity that violates the “*Law on Lobbying activities*”.

The State Gazette, “Valstybės žinios“, 2008. Issue No. 35.

Advertising Law

On January 28, 2008, Article 11 of the “*Law on Tobacco Control*” was amended by the Seimas. The Supplement prohibits certain tobacco products promotion measures – the sale of goods imitating tobacco products or their packaging (toys, foodstuffs *etc.*)

The State Gazette, “Valstybės žinios“, 2008. Issue No. 17.

Banking Law

On March 20, 2008, the Bank of Lithuania approved the “*General Regulations for the Evaluation, Dividing into Groups of Doubtful Assets and Formation of Special Provisions*”. These regulations establish minimal rules to be followed by banks and their affiliates operating in the Republic of Lithuania, as well as the Central Credit Union, in the evaluation and dividing into groups of doubtful assets and formation of special provisions.

The State Gazette, „Valstybės žinios“, 2008. Issue No. 32.

Company Law

On April 29, 2008, the Lithuanian Government adopted Resolution No. 544 in which it approved the *“Procedure and Amount of Payment to the State Enterprise Centre of Registers for the Registration of Legal Entities and Their Divisions, and the Access to the Registration Data”*. The resolution established the following fees:

1. 100 Litas for the registration of corporate articles of association of a legal entity and the new wording of the corresponding document;
2. 50 Litas for the registration of amendments to corporate articles of association or to the corresponding document;
3. 25 Litas for the issue of a new certificate of registration for a legal entity (in case of change of the data recorded in the certificate) or a duplicate of the registration certificate.

The State Gazette, “Valstybės žinios”, 2008. Issue No. 42

Constitutional Law

On January 23, 2008, an amendment to Article 47 of the Constitution of the Republic of Lithuania was adopted by the Lithuanian Parliament, the Seimas. This amendment established the right of foreign entities to acquire land for agricultural use, internal waters and forests in the Republic of Lithuania under the *“Constitutional Law on the Subjects, Procedure, Terms and Conditions and Restrictions on the Acquisition of Ownership of Land Plots, Provided for in Paragraph 2 of Article 47 of the Constitution of the Republic of Lithuania”*, which was last amended on March 20, 2008.

The State Gazette, “Valstybės žinios”, 2008. Issue No. 14.

An amendment to the *“Constitutional Law on the Subjects, Procedure, Terms and Conditions and Restrictions on the Acquisition of Ownership of Land Plots, Provided for in Paragraph 2 of Article 47 of the Constitution of the Republic of Lithuania”* was adopted by the Seimas on March 20, 2008.

The law establishes that from the day of accession to the EU, foreign subjects, which meet the criteria of European and transatlantic integration chosen by Lithuania, will have right to acquire ownership of land of agricultural land, internal forests and waters.

The law also establishes that foreign subjects may acquire land only after restitution of the ownership rights to such land to citizens of the Republic of Lithuania, whereas agricultural land, internal waters and forests may be acquired by the said subjects only upon completion of the restitution of the ownership rights and execution of the land reform in the particular cadastre locality. However, a transitional period of 7 years must expire before foreign subjects may acquire agricultural land and forest land.

The constitutional law came into force on April 9, 2008.

The State Gazette, “Valstybės žinios”, 2008. Issue No. 34.

Courts

On April 8, 2008, the *“Law on Courts”*, the *“Law on Administrative Proceedings”*, the *“Code on Civil Procedure”* and the *“Code of Criminal Procedure”* were amended and supplemented

by the Seimas. The amendments and supplements establish the following:

1. The obligation of all courts to apply EU legal norms while examining cases and to follow the decisions of EU judicial institutions as well as their preliminary resolutions pertaining to interpretation and validity of EU legal acts;
2. The right of all courts and obligation of the Supreme Court and the higher Administrative Courts, as well as the court, which is the final instance in an examined case, in the event that the resolution of the issue of interpretation and validity of the EU legal acts is necessary for adoption of the decision in the case, to apply to a EU judicial institution for the preliminary resolution. The national court will have to solve the case in view of the preliminary resolution;
3. A compulsory suspension of an administrative case and adjournment of examination of a criminal case in the event of application to a EU judicial institution concerning the interpretation or validity of EU legal acts;
4. The obligation of the Supreme Court and the Higher Administrative Court to analyze and generalise court practice in application of EU legal norms and provide recommendations in respect of co-operation of Lithuanian courts and EU judicial institutions in order to insure the uniform interpretation and application of EU legal acts in the Republic of Lithuania.

The amendments and supplements will come into force as of the day of Lithuania's accession to the EU.

The State Gazette, "Valstybės žinios", 2008. Issue No. 39.

Employment Law

On January 28, 2008, the Government adopted Resolution No. 115 by which the new standard form of employment agreements was approved.

The State Gazette, "Valstybės žinios", 2008. Issue No. 11.

On January 31, 2008, the Minister of Social Security and Labor adopted the "*Order regarding approval of the amount of default interest*". As of February 1, 2003, the amount of the default interest on delayed pay related to labour relations is 0.06 percent.

The State Gazette, "Valstybės žinios", 2008. Issue No. 13.

On April 22, 2008, the Lithuanian Government adopted Resolution No. 497 by which the "*Duration, Conditions and Procedure for Granting of Additional Annual Leave*" was approved. The resolution establishes that additional annual leave will be granted to the following categories of employees:

1. Employees who work under conditions which do not comply with normal working conditions;
2. Employees whose uninterrupted length of service in the workplace exceeds 10 years;
3. Employees whose work is of a particular character to be performed during travel, outdoors, or related to driving or is of a movable character. Such employees may also receive additional compensation for expenses.

The State Gazette, "Valstybės žinios", 2008. Issue No. 39.

Holidays

On June 26, 2008, the Parliament supplemented Article 162 of the “*Labor Code*”. The list of holidays was supplemented with a new holiday – June 24 – the Feast of St. John. This brings Lithuania in line with Latvia and Estonia which also celebrate this holiday.

The State Gazette, “Valstybės žinios“, 2008. Issue No. 70.

Insurance Law

On May 8, 2008, the Government adopted Resolution No. 580 by which the “*Rules of Compulsory Insurance of Professional Civil Liability of Notaries*” were approved. *Inter alia*, the above-mentioned rules stipulate that a notary must insure his liability for not less than 100.000 Litas.

The Resolution came into force on July 1, 2008.

The State Gazette, “Valstybės žinios”, 2008. Issue No. 47.

Intellectual Property Law

On March 5, 2008, the Parliament adopted amendments to the “*Law on Copyright and Related Rights*”. *Inter alia*, the new amendments specify the property rights of authors to the extent that the author should also be paid a royalty for publication of a work, including making the work publicly available via computer networks (on the internet).

The State Gazette, “Valstybės žinios”, 2008. Issue No. 28.

On March 18, 2008, the government adopted Resolution No. 325 by which the “Register of the Design” of the Republic of Lithuania was established and its by-laws approved.

The State Gazette, “Valstybės žinios“, 2008. Issue No. 28.

Real Estate

On January 28, 2008, the “*Provisional Law on the Acquisition of Agricultural Land*” was adopted. *Inter alia*, the Law stipulates conditions for the acquisition of agricultural land.

The Law also stipulates that the maximum area of agricultural land being that may be acquired. Natural and legal persons, under this Law, may not acquire more than:

1. 300 hectares for a natural person who has registered a farmer’s farm and has a qualification certificate testifying to his preparedness to engage in farming, except for cases in which the agricultural holding owned by two spouses exceeded the said area as a result of registration of their marriage or when the land was acquired before the entry into force of this Law;
2. 2, 000 hectares for an agricultural company;
3. 1, 000 hectares for a co-operative (co-operative society) or any other legal person who

engages in agricultural activities.

The State Gazette, “Valstybės žinios“, 2008. Issue No. 15.

NOTE to readers: *While every effort has been made to ensure that the information provided in this Newsletter is accurate, such information is not complete and has been abbreviated in a form designed to bring Baltic legal news developments to its readers' attention. Hough, Klaves & Partners and its partner firms advise the Newsletter's readers to seek professional legal advice before acting or relying upon any of the information or statements contained herein.*